

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:

CORE SCIENTIFIC, INC., *et al.*,

Debtors.¹

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Chapter 11

Case No. 22-90341(DRJ)

(Jointly Administered)

**RESERVATION OF RIGHTS AND
LIMITED OBJECTION TO THE EMERGENCY
MOTION OF DEBTORS FOR ENTRY OF INTERIM
AND FINAL ORDERS (A) AUTHORIZING THE DEBTORS
TO OBTAIN POSTPETITION FINANCING, (B) AUTHORIZING
THE DEBTORS TO USE CASH COLLATERAL, (C) GRANTING LIENS
AND PROVIDING CLAIMS WITH SUPERPRIORITY ADMINISTRATIVE
EXPENSE STATUS, (D) GRANTING ADEQUATE PROTECTION TO THE
PREPETITION SECURED PARTIES, (E) MODIFYING THE AUTOMATIC STAY,
(F) SCHEDULING A FINAL HEARING, AND (G) GRANTING RELATED RELIEF**

NYDIG ABL LLC (f/k/a Arctos Credit, LLC), a Delaware limited liability company (“NYDIG”), in its capacity as lender under that certain Master Equipment Finance Agreement dated as of October 27, 2020, by and between Core Scientific, Inc., a Delaware corporation (“Borrower”) and NYDIG (as amended, restated, supplemented or otherwise modified from time to time, the “MEFA” and, collectively with the schedules entered into by and between NYDIG and Borrower pursuant to the MEFA, all Acceptance Certificates (as defined in the MEFA), Other Agreements (as defined in the MEFA), and any other document entered into in connection therewith, the “Loan Documents”), by and through its undersigned counsel, Sidley Austin LLP,

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (N/A); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisitions, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisition I, LLC (9717); and American Property Acquisitions, VII, LLC (3198). The Debtors’ corporate headquarters and service address is 210 Barton Springs Road, Suite 300, Austin, Texas 78704.

hereby submits this reservation of rights and limited objection (the “Reservation of Rights”) to the *Emergency Motion of Debtors For Entry of Interim and Final Orders (A) Authorizing the Debtors to Obtain Postpetition Financing, (B) Authorizing the Debtors to Use Cash Collateral, (C) Granting Liens and Providing Claims With Superpriority Administrative Expense Status, (D) Granting Adequate Protection to the Prepetition Secured Parties, (E) Modifying the Automatic Stay, (F) Scheduling a Final Hearing, and (G) Granting Related Relief* [ECF No. 38] (the “DIP Motion”).² In support of this Reservation of Rights, NYDIG respectfully states as follows:

1. As of the Petition Date, the Debtor owed NYDIG approximately \$38.6 million of principal under the Loan Documents, plus certain interest, fees, expenses and other obligations.

2. Pursuant to the Loan Documents, NYDIG funded the Borrower’s acquisition of approximately 27,470 application-specific integrated circuit mining rigs (“ASICs”), which comprise approximately 30% of the ASICs the Debtors described as remaining subject to its largest equipment financing and equipment lease agreements in Paragraph 54 of the *Declaration of Michael Bros in Support of the Debtors’ Chapter 11 Petitions and First Day Relief* [ECF No. 5] (the “First Day Declaration”). Upon information and belief, NYDIG’s loan to the Borrower is materially better collateralized than those of the Debtors’ other equipment lenders—*i.e.*, NYDIG’s collateral consists of significantly more ASICs relative to outstanding obligations under the Loan Documents. *See* First Day Declaration at ¶ 54.³

3. In addition to the financed ASICs, NYDIG’s collateral package under the Loan Documents includes, among other things, Accounts, Contract Rights, Chattel Paper, General

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the DIP Motion.

³ NYDIG disputes, and reserves all rights with respect to, the amount of principal and interest owed under the Loan Documents and number of ASICs which constitute collateral for such amounts asserted by the Debtors in the First Day Declaration.

Intangibles, Payment Intangibles (each as defined in the Uniform Commercial Code as adopted in the State of Delaware), leases, and subleases, in each case to the extent arising from or relating to Equipment (as defined in the MEFA) (together with the ASICs, the “NYDIG Collateral”).

4. ASICs have a relatively short useful life, typically in the range of 3-5 years. Moreover, the value of ASICs can fluctuate based upon the value of bitcoin.

5. The Equipment Lender Adequate Protection Liens and Equipment Lender Adequate Protection Claims do not constitute sufficient adequate protection for the potential diminution in value of the NYDIG Collateral during these cases. The value of the ASICs in particular could diminish significantly over a period of months, and the value (if any) of the Equipment Lender Adequate Protection Liens and Equipment Lender Adequate Protection Claims is unclear at best. NYDIG intends to engage with the Debtors in an effort to consensually resolve NYDIG’s issues but may seek relief from this Court in the event the parties cannot reach such a consensual resolution.

6. NYDIG recognizes the importance to the Debtors of obtaining financing at the outset of these cases and is not objecting to approval of the DIP Motion on an interim basis. However, NYDIG reserves all rights to object to the DIP Motion and entry of the Final Order in connection with the Final Hearing. NYDIG also requests that it be provided with the same financial reporting and other information being provided to the DIP Lenders and certain other parties under the proposed Interim Order.

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Dated: December 22, 2022

Respectfully Submitted,

/s/ Dennis M. Twomey

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